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INTERNATIONAL NEWS

Global economy to contract 4.4 per cent, China to grow at 2.7 per cent in 2020: Fitch

Fitch Ratings on Tuesday projected global GDP to contract 4.4 per cent in the current year but revised upwards China's growth estimate to 2.7 per cent for 2020.

In its September update to the Global Economic Outlook (GEO), Fitch Ratings cut its 2020 GDP forecast for emerging markets, excluding China, to (-)5.7 per cent, from (-)4.7 per cent estimated in June, mainly on account of a huge downward revision to India GDP forecast for the financial year ending March 2021.

Fitch has slashed India's growth projection to (-)10.5 per cent from (-)5 per cent estimated earlier after official data released last week showed the April-June 2020 quarter GDP contraction by 23.9 per cent.

"India imposed one of the most stringent lockdowns worldwide in 2Q20 (April-June) and domestic demand fell massively. Limited fiscal support, fragilities in the financial system, and a continued rise in virus cases hamper a rapid normalisation in activity," Fitch said.

Fitch now expects the global GDP to fall by 4.4 per cent in 2020, less than 4.6 per cent contraction it projected in June. "This would still be more than twice as deep as the great recession in 2009 but it is less severe than the 4.6 per cent decline we expected in June and represents the first upgrade to our 2020 global GDP forecast this year," Fitch said.

It projected the US GDP to contract 4.6 per cent in 2020, less than the 5.6 per cent decline expected in the June GEO. The downturn in the June 2020 quarter was slightly less severe than expected, recent consumption data have been particularly strong, and unemployment has fallen faster than anticipated, Fitch said.

With regard to China, Fitch has revised 2020 GDP growth forecast to 2.7 per cent from 1.2 per cent in June following the stronger-than-expected April-June outturn and continuing recoveries in investment, housing and exports through July.

"China stands out as the only Fitch 20 country, in which we expect GDP to grow in 2020, but it is important not to underestimate the positive global spillovers that will flow from China's recovery," it said. Fitch 20 is the group of 20 emerging and developed economies.

It said the COVID-19 pandemic has become more prevalent in emerging market countries, excluding China, as the year has progressed.

Brazil, Russia and India now have some of the highest coronavirus caseloads in the world and Latin America currently accounts for more than 40 per cent of coronavirus fatalities.

"Emerging market countries in many ways face tougher economic challenges than developed ones, given more limited social safety nets and healthcare capacity. Also, they have less scope for aggressive macro policy easing," Fitch added.

Source: financialexpress.com– Sep 07, 2020

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Possible Xinjiang Cotton Ban Looms, Fueling US-China Tensions

U.S. Customs and Border Protection could hand down a mandate this week that would bar imports of cotton and textiles from China's embattled Xinjiang region.

The mandate, known as a Withhold Release Order (WRO), would require the imports under the WRO to be re-exported or destroyed if linked to forced labor, which the Chinese government is said use as a means of "assimilating" Uyghurs and other ethnic minorities who are compelled to toil in cotton fields and textile factories. The latest action also would escalate long-simmering tensions between the U.S. and China.

On July 31, the U.S. Treasury Department announced sanctions against "one Chinese government entity and two current or former government officials in connection with serious rights abuses against ethnic minorities in the Xinjiang Uyghur Autonomous Region." The sanctions followed a July 1 Xinjiang Supply Chain Business Advisory jointly issued by the U.S.

Department of State, Department of Commerce, Department of Homeland Security and Department of Treasury.

The Xianjiang region produces more than 7 percent of the world's cotton supply, some of which ends up in American apparel products such as T-shirts and denim jeans. With sanctions slated to take place later this month, fashion firms have been working around the clock since last month to trace their cotton supply chains and identify how much comes from Xianjiang in case government sanctions interrupt sourcing.

One in five cotton garments sold globally contains fiber or yarn sourced from the Xinjiang region, making the entire apparel industry complicit in human-right abuses against Uyghur and other Turkic Muslims, according to the End Uyghur Forced Labour coalition.

And investigations and studies over the past two years indicate that many well-known brands—such as Abercrombie & Fitch, Adidas, Fast Retailing, Gap, Nike, Skechers and Inditex, to name a few—have connections to companies that have operations in the region.

The U.S., under U.S. Code Title 19, Section 1307, also makes it illegal to allow goods produced or manufactured, even in part, in any foreign country by convict, forced or indentured labor.

Last month, a group of human-rights, labor and investor organizations filed a formal petition with U.S. Customs and Border Patrol urging it to issue a regional WRO on all cotton-made goods connected to the Xinjiang Uyghur Autonomous Region in northwestern China.

Britain's Global Legal Action Network, together with the World Uyghur Congress, was planning to file its own companion petition with U.S. Customs and Border Patrol based on a similar complaint filed with U.K. authorities earlier this year alleging widespread labor abuses. As in the United States, U.K. law prohibits the import of products made with prison labor.

Two years ago, a WRO was issued on cotton and cotton-made goods originating from Turkmenistan, due to the country's state-sponsored program of forced labor.

The scope of a WRO, if one is to be issued, remains unclear, The New York Times reported Monday. About 85 percent of China's cotton is grown in Xinjiang, The South China Morning Post reported, citing U.S. Department of Agriculture data.

Source: sourcingjournal.com– Sep 08, 2020

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US Jeans Imports Down 35%, as Inventory Belts Tighten

Despite a slight uptick in July, U.S. imports of blue denim apparel–97 percent of which are jeans–were down 35.26 percent to $1.08 billion in the first seven months of 2020 compared to a 37.82 percent decline in the first half, according to new data from the Commerce Department's Office of Textiles & Apparel (OTEXA).

Importers have spent most of this period in the throes of an economic downturn caused by the coronavirus pandemic. Most denim brands and retailers have said they have focused on working off inventory stuck in warehouses and stores, while curtailing import orders.

Guess Inc. CEO Carlos Alberini said in reporting second-quarter results that the company focused on "optimizing inventory management," ending the period with inventories down 13 percent compared to last year.

PVH Corp., owner of Calvin Klein and Tommy Hilfiger Jeans, said it continues to tightly manage its inventory, which decreased 12 percent as of the end of the second quarter from the prior-year period.

As of the end of fiscal 2020, the company is projecting to carry approximately $125 million of basic inventory into Spring 2021, which is a reduction compared to the prior projection of approximately $250 million.

The result has been a major decline in imports from top producing countries, with every Top 10 supplier except Vietnam and Cambodia registering decreases in year-to-date shipments.

The United States' No. 1 supplier, Mexico, saw its jeans imports fall 53.04 percent in the period to a value of $227.09 million.

China, now the No. 3 supplier after falling precipitously over the past couple of years during the tariff-fueled U.S.-China trade war and continuing to fall after it was the first country to close factories when the pandemic began there, saw imports plummet 63.23 percent in the period to $169.82 million, OTEXA reported.

Second-place Bangladesh, which has suffered from cancelled orders, fared a bit better, as imports fell 16.98 percent to $254.28 million in the year through July.

Rounding out the top four suppliers that combine for a 62 percent import market share was Vietnam, which posted a 0.14 percent increase in the period to $192.72 million.

Among the second-tier suppliers that each account for single-digit jeans market, Cambodia was by far the winner. Imports from the Southeast Asian burgeoning production player rose 30.41 percent year to date to $79.62 million.

The rest of the key manufacturing countries saw major declines in imports during the seven-month period.

Pakistan's fell 21.42 percent to $116.53 million, Egypt's declined 34.16 percent to $63.25 million, Nicaragua's dropped 32.1 percent to $46.02 million, Sri Lanka's were off 24.28 percent to 23.65 million and Indonesia's decreased 41.81 percent to $23.41 million.

Only three countries, all from Africa, posted increases in shipments to the U.S. in the period from the third tier of suppliers. Imports from Madagascar rose 27.28 percent to $17.59 million, shipments from Ethiopia increased 16.55 percent to $11.03 million and imports from Tanzania were up 23.92 percent to $8.61 million.

Source: sourcingjournal.com– Sep 08, 2020

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USA: Textile and Apparel Imports see another sharp increase

The Department of Commerce's Office of Textiles and Apparel reports that monthly imports of cotton, wool, manmade fiber, silk blend, and non-cotton vegetable fiber textile and apparel products totaled 6.16 billion square meter equivalents in July 2020, up 32.5 percent from June but down 7.7 percent from July 2019.

Textile imports totaled 3.96 billion SME, up 25.7 percent for the month and 2.7 percent from the previous year, while apparel imports of 2.20 billion million SME were up 46.7 percent from June but down 22.0 percent from a year before.

Overall Imports. Total year-to-date imports were 33.0 billion SME, down 17.7 percent from the previous year, as textile imports fell 11.6 percent to 21.1 billion SME and apparel imports plunged 26.8 percent to 11.9 billion SME.

For the year ending in July, imports were 62.6 billion SME, down 11.3 percent from a year earlier, as textile imports fell 6.5 percent to 39.2 billion SME and apparel imports declined 18.3 percent to 23.4 billion SME.

Country	SME	Monthly change %	Annual change %	$ Value	Monthly change %	Annual change %
China	3.43 billion	+41.7	-8.8	2.53 billion	+30.4	-41.0
India	489.9 million	+66.7	-3.1	489.1 million	+76.6	-31.0
Vietnam	480.1 million	+40.0	-1.9	1.36 billion	+48.4	-11.0
Mexico	226.5 million	+4.5	-1.3	304.7 million	+11.6	-23.0
Pakistan	218.4 million	+24.7	-7.9	228.3 million	+23.5	-17.0
Cambodia	162.6 million	+81.3	+48.4	336.0 million	+59.8	+19.2
Korea	126.4 million	+22.2	-35.0	66.8 million	+15.4	-23.0
Indonesia	104.0 million	+24.3	-5.1	287.2 million	+29.0	-16.0
Turkey	103.2 million	+36.5	+42.0	171.6 million	+51.5	+15.2
Canada	74.0 million	-6.3	-9.0	86.0 million	+21.3	-19.0
Taiwan	72.5 million	+12.2	-19.0	56.6 million	+16.2	-15.0
Germany	43.8 million	-18.7	-30.0	30.9 million	-4.9	-35.0

Source Countries. OTEXA has reported the following statistics on textile and apparel imports from major source countries for July 2020.

Source: strtrade.com– Sep 09, 2020

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Online Orders Powered August's 3.9% UK Retail Sales Growth

U.K. retail sales in August rose 3.9 percent, according to a tracking report from the British Retail Consortium and KPMG.

The latest data from the BRC-KPMG sales monitor shows an uptick for August, versus down 0.4 percent a year ago, and indicates that retail sales grew for the third consecutive month. The growth was attributed to continued growth in online orders, which have been on the upswing since the pandemic struck. Online non-food orders were up 39.3 percent in August, versus 29 percent a year ago.

In a separate report from BRC-ShopperTrak data on Friday, U.K. footfall fell 34.8 percent in August, below the 12-month average decline of 27.6 percent. High street footfall, which fell 41.7 percent year-on-year, was the worst-performing location in August, falling below shopping centers for the first time since April 2018. Retail parks saw a smaller 11.1 percent year-on-year decline in footfall, thanks to their locations in wider, open spaces. In contrast, shopping center footfall fell 37.4 percent year-on-year.

"Footfall remained well below normal levels in August. In-store discounting and demand for school wear helped lure some customers back to the shops, but with many office blocks still empty and much of the public avoiding public transport, footfall is not returning to towns and city centers and this is having a devastating effect on the local economies in these areas," said Helen Dickinson, OBE, CEO of the BRC.

According to Dickinson, the future of retail sales in unclear. "While many businesses have been investing in making workplaces safer, we are unlikely to see significant growth in footfall while government advice remains to 'work from home if you can.'

Unless this changes, more should be done to encourage people to travel and reassure them that public transport is safe," she said. "Government should also recognize that, while footfall is so low, many businesses will not be able to manage their fixed costs—rent & business rates in particular—and unnecessary job losses and store closures will follow."

As for the August sales report, Dickinson said remote working has helped sales in home goods, while the lockdown seems to have permanently changed some consumers' shopping habits. The prolonged shift to working from home has also devastated many city center retailers, she added, as retailers that rely on high footfall locations, such as apparel, footwear and beauty, continue to struggle.

Other retailers are looking at how to better serve their customers, such as capturing some market share in the food delivery sector. Marks & Spencer joined forces with Ocado to begin online food delivery. That service was supposed to start on Sept. 1, but customers saw first-day scheduled deliveries canceled the night before as the retail venture underwent some growing pains.

U.K.'s Office for National Statistics will post its official August retail sales report on Sept. 18.

Source: sourcingjournal.com– Sep 08, 2020

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China to retain dominance as US moves sourcing away from the Western hemisphere

Latest statistics from the US-based Office of Textiles and Apparel (OTEXA) indicate economic recovery in the country is being driven by a gradual increase in demand for apparels.

Figures reveal, though the value of apparels imported by the US decreased 32.0 per cent in July 2020 from a year ago, the speed of this decline slowed from 42 per cent in June 2020. Inventory build-up by brands and retailers for holiday season are the major factors driving demand and the trend would continue over the next two or three months.

Based on these estimates, US fashion companies plan to continue to look at China as an essential apparel-sourcing base. Though China's apparel exports to the US dropped as much as 49.3 per cent from January to July 2020 year over year, China quickly regained its position as the top apparel supplier to the US, with a 26.3 per cent market share in value and a 38.8 per cent share in quantity in July 2020.

Large capacity and local production benefit China

China benefitted from the pandemic as the country enjoys two notable benefits that other apparel suppliers don't. These are: unparalleled production capacity and the ability to produce textile raw materials locally. Also, clothes made in China are more price-competitive.

The unit price of Chinese apparel imports declined from $2.25/sq. mt. equivalent (SME) in 2019 to $1.88/SME in 2020. In July 2020, the unit price of US apparel import from China was around 25-35 per cent lower than those imported from other Asian countries.

Despite this, deteriorating US-China relations and forced labor issues reported in Xinjiang continue to veer fashion companies away from China. As a result, China's market share in the US apparel imports slipped in both quantity and value terms in July 2020 compared with a month ago.
Sourcing moving away from the Western hemisphere

Asia remains the single largest source of apparels for the US. Besides China, it depends on Vietnam, ASEAN, Bangladesh and Cambodia for apparel imports. Moreover, US has not been giving any more apparel sourcing orders to suppliers from the Western Hemisphere for the last few months.

From January to July 2020, the country imported only 8.8 per cent apparels from CAFTA-DR members and 4.1 per cent from USMCA members. The value of US' yarns and fabrics exports to the USMCA and CAFTA-DR members also declined by 28.9 per cent in the first seven months of 2020 from a year ago. One of the major reasons for this was the heavy reliance on textile supply from the US and the price disadvantage.

In the first six months of 2020, the unit price of US apparel imports also declined from 104.7 in 2019 to 99.0 YTD in 2020. Imports from Mexico and China witnessed the most price decline during the period.

Source: fashionatingworld.com– Sep 08, 2020

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China's export strength continues as global demand rebounds

China's exports continued to expand due to demand for medical goods, electronics, and the effects of major trading partners gradually resuming business activities.

Exports rose 9.5% in dollar terms in August from a year earlier to $235.3 billion, the third-highest level on record, customs data showed. Both the value of shipments to the US and the bilateral trade surplus were at the highest levels since November 2018.

China's exports have defied expectations this year, growing significantly faster than global trade due to strong demand for Covid-related goods. The gradual reopening of many economies in Asia and around the world has also increased appetite for Chinese goods, although it's unclear how long the nation will continue to benefit from these factors.

"China's surprising resilience in exports amid the global pandemic is due to some special factors," said Lu Ting, chief China economist at Nomura International HK Ltd. That includes surging exports of personal protective equipment and work-from-home products as well as declining exports "from some emerging market competitors which are still severely hit by the pandemic."

Textile exports including masks rose 33.4% in the first eight months in dollar terms from a year ago, according to the data released Monday in Beijing.

Without the boost from medical-related goods, exports in March through July should have fallen an average of 3.1% each month, instead of the average 0.3% rise, according to a report from China International Capital Corp. economists led by Peng Wensheng published Sunday.

The boom in shipments may not last, according to Frederic Neumann, co-head of Asian economic research at HSBC Holdings in Hong Kong. Production outages elsewhere have propped up China's exports, and concerns over renewed trade tension with the U.S. may also be prompting rushed shipments.

However, “as factories in the rest of the world come back on stream, and demand for Chinese-made goods normalizes, China’s export growth will re-align with global demand growth, which looks set to be sluggish over the coming years,” Neumann said.

What Bloomberg’s Economists Say…

The headline reading for exports likely overstates the recovery in external demand, with the acceleration reflecting a distortion from base effects more than the reality on the ground. Compared to July, shipments fell, and “the recovery in external demand may not be as smooth as the market has expected.”

-- David Qu, Bloomberg Economics

Imports fell 2.1% in August, the customs administration said Monday, leaving a trade surplus of $58.9 billion for the month.

The decline in imports is mostly due to falling prices, with the volume of shipments rising in line with the investment-driven recovery, according to a report from economists at Australia & New Zealand Banking Group.

The trade surplus with the U.S. was $34.2 billion, the highest since November 2018. China’s imports from the U.S. rose 1.8% in August while imports from Australia plummeted 26.2% as relations soured.

Bilateral trade is the one area of U.S.-China relations that hasn’t worsened recently, with both nations reaffirming their commitment to a phase-one trade deal. Officials have agreed to create conditions to push the deal forward, although with tensions on the rise, that could change.

“Exports to the U.S. continued to improve, partly a result of the front-loading due to concerns about escalating tensions,” said Tommy Xie, an economist at Oversea Chinese Banking Corp.

Source: hindustantimes.com– Sep 07, 2020

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U.S. Considering Action on Chinese Textiles and Apparel That Would Affect Tens of Billions of Dollars in Imports

There's reason to believe that the Trump Administration could place a Withhold Release Order on textile and apparel products from China, citing concerns over forced labor in China's Xinjiang region.

Speaking to reporters from the South China Morning Post and Politico, textile industry sources and a former Trump Administration trade official say that the decision could come as early as next week, and would bring a shock to not only imported textiles but the U.S. textile industry, too.

Should U.S. Customs and Border Protection make the call, the sources claim that it could affect tens of billions of dollars worth of imported textile and clothing.

This would cover cotton, yarn and fabric made in facilities in the Xinjian Uighur Autonomous Region, which has been the subject of scrutiny for a while now as international critics say the Muslim minority group has been essentially working as slave laborers.

In the U.S., the move could bring back the familiar back-and-forth of tariffs and retaliatory moves from Beijing.

There's an important distinction to make between a Withhold Release Order and an outright ban. The ban is much more of a sweeping block. The WRO, however, would require a bit more diligence. Products will arrive to the U.S., but if the CBP authorities find that it was made with forced labor, it would be re-exported or destroyed.

Multiple big-name companies have sourced their materials from the Xinjiang region. Perhaps most notably is Apple, which was the subject of scrutiny after a watchdog group traced its retail employee uniforms to factories in the region.

Apple disputed the claim, saying that its apparel wasn't actually made within the factories, but it's still a little murky. Some schools and universities have also pulled sportswear items from their shelves after they found that the products were sourced from factories in Xinjiang.

The Xinjiang region is where the vast majority of China's cotton supply is grown. It's also home to the region's Uighur Muslim minority. Radio Free Asia has estimated that at least 120,000 people have been detained in re-education camps. Tens of thousands of Uighur are reportedly working in these factories manufacturing apparel items for brands like Nike. Activist groups say that escaping the work environments is "extremely difficult," with constant looming threats of "arbitrary detention."

If the U.S. makes the decision to put the WRO on Chinese textile and apparel imports, it would be a very real mark of disapproval and show of commitment to stopping human rights abuses. Economically speaking, it would almost certainly be met with backlash from Beijing, based on the two countries' track record with each other.

But it would be a next logical step for the U.S. in its fight against human rights abuses, as the U.S. Commerce Department has already placed almost 50 Chinese factories on its list of businesses and facilities using unethical practices. According to the SCMP, that distinction alone practically bans them from working with U.S. companies unless they get a special license to do so.

We'll monitor this situation as it develops.

Source: magazine.promomarketing.com– Sep 08, 2020

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Weekly, monthly orders for Vietnam's textile-garment firms

Vietnam's textile and garment industry continues to be badly affected by the pandemic with only weekly or monthly orders arriving due to uncertain global demand. Some producers have seen September orders drop by 40-50 per cent, while orders have not been confirmed for the rest of the year and 2021, said a recent report by the ministry of industry and trade.

Textile and garment shipments fell by 11.6 per cent year on year in the first eight months to $19.6 billion because of the pandemic, the report said.

Global demand for textile and garment products in the third quarter has not shown sign of reviving, as consumer confidence remains low in the United States, the European Union and Japan, three of Vietnam's largest buyers.

This has affected producers like Vietnam National Textile and Garment Group (Vinatex). Cao Huu Hieu, its deputy chief executive officer, said the company forecasts a 20 per cent fall in revenues this year.

"We have barely received orders for the last quarter, which is a major challenge for our production plans. Prices of masks have dropped to just enough to cover costs," he was quoted as saying by a Vietnamese newspaper report.

Companies are doing their best to survive. Garment 10 Corporation Jsc (Garco10) is working to get long-term orders to ensure cash flows and retain jobs, while Vinatex seeks to boost domestic sales.

Truong Van Cam, deputy chairman of the Vietnam Textile and Apparel Association (VITAS), said the domestic market is promising amid the pandemic though revenues from it would not be high since consumers are also trying to cut down spending.

Companies also want the government to delay loan repayments to banks.

Source: fibre2fashion.com– Sep 09, 2020

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Japan plans FTA with Cambodia

Japan plans to sign a Free Trade Agreement (FTA) with Cambodia to maximize benefits from its regional trade framework and gain advantages from its regional trade with China, South Korea and other countries. Hun Sen, Prime Minister, Japan also called for speedy negotiation of RCEP which also covers South Korea, New Zealand markets, among others.

The Regional Comprehensive Economic Partnership (RCEP) is a proposed free trade agreement in the Asia-Pacific region between the ten member states of the Association of Southeast Asian Nations (ASEAN), namely Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam, and four of ASEAN's FTA partners—Australia, China, Japan, New Zealand, and South Korea.

Negotiations for RCEP were formally launched in November 2012 at the ASEAN Summit in Cambodia. In 2018, the 16 negotiating parties accounted for about half of the world's population and 39 per cent of the world's GDP. Without India, the 15 negotiating parties account for 30 per cent of the world's population and just under 30 per cent of the world's GDP.

Cambodia-Japan trade volume decreased slightly by 3.7 per cent to $1.01 billion in H1, 2020, figures from the Japan External Trade Organization (JETRO) indicate. From January-June, Cambodia exported $791.6 million worth of products to Japan, a year-on-year decrease 0.2 percent.

Source: fashionatingworld.com– Sep 08, 2020

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China's share of global PPE exports increases to 80 per cent

China's share of global PPE exports has increased from 60 per cent in January to more than 80 per cent. The country accounts for 96 per cent of medical mask imports by Japan. The reason for increased dependence on China is that the country has expanded its exports to meet the surge in global demand. Major countries rely on China to ensure adequate personal protective equipment. The US government restricted PPE exports from April and exempted additional tariffs imposed on personal protective equipment made in China, which promoted imports.

Although Japan, the US and Europe are concerned about this overdependence on China for life-related medical supplies, and strive to achieve diversification of domestic production and procurement, the threshold is still high. United Nations trade statistics show, as of May, the world trade of the four main items including masks, medical covers, protective clothing, and protective glasses used by medical workers to prevent COVID-19 has increased sharply. Due to this, the dependence of global imports on China increased from 59 per cent in January to 83 per cent in May.

Source: fashionatingworld.com– Sep 08, 2020

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'Pakistan's MFN rates better than India's and Bangladesh's

Despite following the policy of protectionism, Pakistan fares well in terms of tariff rates compared to India and Bangladesh, said Customs department sources, as the average Most Favoured Nation (MFN) rate of Pakistan was 12.1 percent against 17.1 percent and 14 percent for India and Bangladesh respectively, said sources from Pakistan Customs.

However, they added, the MFN rates of China (9.8 percent), Sri Lanka (9.3 percent), Indonesia (8.1 percent), and Malaysia (5.6 percent) are much below than Pakistan. Similarly, according to the sources, Pakistan looks better than India and Bangladesh in terms of average MFN rates with respect to product groups in the region.

The textile sector enjoys more protection in India (20.7 percent) and Bangladesh (19.5 percent) compared to Pakistan (15.3 percent), they said, adding that the MFN rate for machinery upon which entire edifice of industrial development is built is lower in Pakistan compared to Bangladesh and India.

It may be noted that Pakistan has liberalized comparatively faster than India and Bangladesh since 2000 taking the average MFN rate as the proxy variable for liberalization, as the average MFN rates for Pakistan, India and Bangladesh were respectively 25.16 percent, 35.56 percent, and 21.64 percent in the year 2000, which in the year 2018 respectively stand at 12.1 percent, 17.1 percent and 14 percent. It simply suggests that Pakistan has liberalized more compared to India and Bangladesh in the last two decades, they said.

However, again, the MFN rates of other regional countries like China (16.99 percent), Malaysia (9.84 percent), and Indonesia (8.43 percent) were much low compared to Pakistan in 2000. Their MFN rates are even lower compared to Pakistan, India, and Bangladesh in 2018 as well.

According to sources, Pakistan has provided protection through the tariff, devised several schemes of exemption of duty and taxes for export promotion and its average MFN rates are lower at least compared to two regional comparators i.e. India and Bangladesh but its exports have stagnated.

They said the pace of industrial growth is slow and competitiveness is eroding in the international market. Also, said sources, manufacturing industries are lagging behind in terms of technological advancement and adaptation causing low value-added and low-quality export products. The sources said the local manufactures were least incentivized to upgrade their processes due to lack of competition from abroad firms as happened in the case of the textile sector.

Factors like lack of skilled workforce, electricity and gas shortages, etc. are also partly responsible for the low productivity of manufacturing sector but role of import substitution policies and tariffs also cannot be ruled out. The tariffs have aimed at short-term gains of revenue at the expense of sustainable economic growth and the complexity of tariff structure and not-easy-to-use export promotion schemes are certainly responsible for slow industrial growth and exports, they added.

Source: brecorder.com– Sep 09, 2020

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NATIONAL NEWS

Indian economy to contract 11.8% in FY21: India Ratings

India's real GDP will likely shrink by as much as 11.8%, year-on-year, in FY21, India Ratings said on Tuesday, revising down its earlier forecast of a 5.3% contraction.

However, the economy could witness a 9.9% expansion in the next fiscal, largely on account of a favourable base effect, but a meaningful recovery in the wake of the Covid-19 pandemic will likely be a "long-drawn" process, the agency said.

All indicators, be it mobility or consumption, are pointing towards a much weaker economic recovery, India Ratings chief economist DK Pant and principal economist Sunil Sinha said in a webinar. The economic loss in FY21 is estimated to be Rs 18.44 lakh crore. India's real GDP contracted by as much as 23.9% in the June quarter, much higher than the level witnessed by any other major economy.

India Ratings said out of 35 states and Union territories, workplace mobility improved only in 16 states/UTs between end-May and end-August.

As the number of Covid-19 infections picked up significantly across India in July, leading to local or regional lockdowns, mobility in many states/UTs reduced by end-August from end-June.

As human mobility is closely linked with economic activity, even gross state domestic product weighted workplace mobility depicts a similar trend as the workplace mobility, the agency said.

"After a pickup in June to 70% of baseline, it declined to 68.5% in July. However, the August (70.3%) data again shows a pickup. Ind-Ra believes the work place mobility would remain low even in the next few months and would not return to normal till a vaccine is found," it said.

With this, India Ratings has joined a number of established agencies in forecasting a somewhat difficult path to a sustained recovery for the Indian economy. Of course, any such projection is closely tied to the country's progress in hadling the Covid-19 pandemic, its economists reckon.

The agency now expects the agriculture and allied sector to grow at 3.5% in FY21. However, industry and services will witness a contraction of 24.2% and 9.9%, respectively, this fiscal, it added.

Source: financialexpress.com– Sep 09, 2020

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Borrowing options for GST dues: 7 States decide, 3 reject, many looking to PM

Seven States, including Gujarat, Madhya Pradesh and Bihar, have formally communicated to the Centre their borrowing option to meet the GST compensation shortfall.

Tuesday was the last day for picking the options. This tally shows the status till Tuesday morning and is expected to change at the end of the day.

According to sources, Gujarat, Karnataka, Bihar, Madhya Pradesh and Tripura have given 'Option 1' as their choice, while Manipur and Sikkim have decided on 'Option 2.' Interestingly, Assam is missing from the list, though it was among the first three, along with Bihar and Karnataka, to announce its preference.

Tamil Nadu, Telangana, Punjab, West Bengal, Chhattisgarh, Jharkhand and Rajasthan and the two Union Territories — Delhi and Puducherry — have sought intervention from the Prime Minister for borrowing by the Centre. In fact, Punjab, West Bengal and Chhattisgarh have formally announced that they have rejected both the options.

GST revenue shortfall

The total GST revenue shortfall during 2020-21 is estimated at ₹3-lakh crore. Since the collection through the compensation cess is likely to give ₹65,000 crore, the net shortfall could be ₹2.35-lakh crore.

Of this, based on 10 per cent nominal growth and other assumptions, the shortfall on account of GST implementation and pandemic is ₹97,000 crore and ₹1.38-lakh crore, respectively.

The Centre has given States two options — borrow ₹97,000 crore through a special window or the entire ₹2.35-lakh crore from the open market.

In both the options, the principal will be repaid from the Compensation Cess Fund. In Option 1, the interest and principal will be paid through this fund, while States going for Option-2 will have to bear the interest burden.

The Centre has committed that, irrespective of the option the States pick, the entire compensation shortfall will be paid, but only after repayment of the borrowing is completed. It has also clarified that it cannot borrow, as under the GST law, the Compensation Cess is a tax owned by the States and, under Article 292 of the Constitution, the Centre can borrow only on the security of its own taxes and resources, that is, the Consolidated Fund of India.

Source: thehindubusinessline.com– Sep 08, 2020

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Could India Supplant China as the 'World's Factory'?

Garment manufacturers in India say they expect a 25 percent spike in sourcing this quarter as apparel companies pivot orders away from China.

Raja Shanmugam, owner of Warsaw International in Chennai and head of the Tirupur Exporters Association, told the Times of India Friday that he realized a shift was happening when he received an order from German leisure-wear maker Marc O'Polo that would have ordinarily gone to his Chinese competitors.

"We have a huge order," Shanmugam said. "It's a litmus test for us and the country. If we crack it, then gates open for more global brands to increase their India sourcing."

P. Nataraj, managing director of KPR Mills, one of the country's largest yarn exporters, expressed a similar optimism. "Our buyers have told us that this year sourcing from India will be much higher than last," he said. "We will know about the actual size of increased orders in a couple of weeks."

SP Apparels, a Tamil Nadu-based company that specializes in knitwear for babies and children, has been tapped by clothing giant Carter's to help it develop a new fabric as it moves most of its business out of China.

"If it clicks, then it's a huge opportunity," said managing director P. Sunder Rajan, who is working with the Apparel Export Promotion Council (AEPC), the country's official body for apparel exporters, to draw Taiwanese and Korean partners to the project.

"Beating China is tough as they have the scale, but looks like a beginning has been made this time. We will need a lot of support on labor, financial and infrastructure from the government."

India's garment sector is the world's fifth-largest apparel exporter. It employs more than 12 million people in factories, though millions more—mostly women and girls from marginalized communities—work in informal, home-based settings, according to a 2019 study from the University of California, Berkeley.

Nearly half of the country's total apparel exports, which exceeded $16 billion in 2019, head to the United States and the European Union.

Like neighboring Bangladesh, India has been hit hard by the Covid-19 crisis. In some regions in India, garment workers received more than 50 percent less than their regular income for the months of March, April and May, losing some $379.6 million in wages, according to a report from the Clean Clothes Campaign.

In May, Prime Minister Narendra Modi announced a stimulus package worth 20 trillion rupees ($273 billion), or equivalent to roughly 10 percent of the nation's gross domestic product.

His administration has also been dialing up efforts to attract factories leaving China in pursuit of even cheaper wages, smaller tariff targets and a diversified portfolio that would be less susceptible to supply-chain snarls triggered by a future pandemic-like event.

Indeed, a Gartner survey of 260 global supply chain leaders in February and March found that 33 percent had moved sourcing and manufacturing operations out of China or plan to do so in the next two to three years.

But Covid-19 cases continue to surge in India, even as the country of 1.3 billion people enters a new phase of reopening, with subway trains running for the first time in months. India recorded 85,687 new Covid-19 infections on Wednesday, the world's highest single-day jump since outbreak began and overshooting the previous record of 77,255 cases set by the United States on July 16. As of Friday afternoon, India's ministry of health and welfare confirmed at least 3,936,700 positive Covid-19 cases and 68,472 deaths, making the nation the second-worst hit after the U.S.

The APEC said at its annual general meeting Thursday, however, that it expects India's exports for the 2020-21 fiscal year to rise by 40 percent to some $22 billion, led predominantly by medical textiles, including personal protective equipment, now that export restrictions have lifted. It noted that an initial limited trade package, which government officials have signaled a readiness to sign, could be a "precursor" for a bilateral Free Trade Agreement.

The organization also urged the ministry of commerce and industry to review all existing trade pacts with the European Union, the United Kingdom, the United States, Australia and Canada to "remove [any] disadvantages" and help double apparel exports in three years.

Manmade fibers (MMF), in particular, APEC chairman A. Sakthivel said, will be instrumental to India's garment-manufacturing future as demonstrated by the "global demand pattern."

"The need of the hour is to quickly engage in product diversification into MMF," he said, highlighting the need for extensive research and development into fiber bases and processing technologies. "MMF is the key to increasing India's textile exports to the global market."

Source: sourcingjournal.com– Sep 08, 2020

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Reforms can bolster global value chains

Global value chains (GVCs) are a powerful driver of growth. Through the dispersal of production processes across the nations, building on the strength of the participating countries qua factor endowments, institutional framework, market size and geography, the GVCs help to realise the maximum quality production at the lowest possible costs.

There are vast disparities in the availability of resources — men, material and machines across the countries. Those like India and China, rich in natural resource endowments, remained poor for long due to lack of capital resources, technology, quality institutions and appropriate policy framework. On the contrary, countries in Europe and North America that had better access to capital resources and technology, better public policies, quality institutional framework, and enjoyed better communication infrastructure, have fewer workers.

For availing of the benefit of low-factor cost — land and labour in less developed countries and the resultant low production cost — GVCs were innovated by breaking the production processes, allowing hyper-specialisation, economies of scale, intensive use of technology, and greater division of labour leading to a rise in internal and external efficiencies. The GVCs grew faster during the 1990s and till about 2007, dampened 2008 onwards, with further accentuation of the financial crisis across the globe due to the Covid-19 pandemic.

The benefits of GVCs can be summed up in the form of a rise in economic growth, including an increase in GDPs; a rise in productivity and employment; poverty alleviation; and a rise in FDI in developing countries. Amongst the countries that have achieved substantial economic growth owing to their greater participation in GVCs — Bangladesh, Ethiopia, Mexico and Vietnam are discussed more often. India and China also achieved substantial growth by capturing GVC space in world trade.

In Bangladesh, as per the World Bank National Accounts Data, the rate of economic growth has risen from a meagre 2.416 per cent in 1988 to 8.153 per cent in 2019. The export of garments made of imported textiles has risen by an average of 18 per cent per annum since 1988. The country has captured 7 per cent of the world's exports in garments and footwear, third only to China and Vietnam, and these contribute 14 per cent of its GDP with employment to 3.6 million workers with nearly 55 per cent of them being women.

In Ethiopia, GVC firms have shown higher productivity. The firms that were involved in both export and import of goods were assessed to be 76 per cent more productive than the non-trading firms. The firms that did exports only were 42 per cent less productive, and the import-only firms were 20 per cent less productive. In Vietnam, this relationship was found to be true across firms in all sectors. China's 'Button Town' is another fascinating example of high productivity where nearly 60 per cent of the world's total buttons are produced at the lowest costs.

Poverty reduction has also been a more discernible achievement in GVC trade-driven economies. In Mexico, areas with a larger share of employees in internationalised firms had a greater reduction in poverty between 1993 and 2013. Similar was the experience in Vietnam from 2004 to 2014. In Kenya, horticulture farmers could get better remuneration after the introduction of contract farming as global buyers entered the market. As per the Bangladesh Bureau of Statistics, abject poverty declined in that country from 25.1 per cent in 2005 to 12.9 per cent in 2016. The marginalisation index also declined in these economies.

India, one of the most populous countries, after an initial era of sluggish growth, has emerged as one of the fastest-growing economies of the world. The country's GDP was $37.03 billion in 1960; it increased to $1.119 trillion in 2008, and $2.2875 trillion in 2019. The annual growth rate also steadily rose to 8.5% in 2010 from 3.72% in 1961 and 3.87% in 2008, though the years from 2003 to 2007 had registered a growth rate of over 7.5%. The annual growth rate was 5.024% in 2019. The trade as a percentage of GDP was 11.297% in 1960, which gradually increased to 53.368% in 2008 and 55.624% in 2019.

The slower growth of trade in India is attributed to the restrictive trade practices emanating from the system of controls, regulations and permits prevailing in the country before 1992. Between 1992 and 2008, the country witnessed substantial structural and policy reforms. Apart from liberalising the fiscal and economic regulations, the tax systems were made more progressive, rationalising the personal and corporate income taxes. The taxes on production and trade— both internal and external — were also simplified and made conducive to FDI and GVC-driven growth. Even the regulatory systems, as enunciated after 1992, are more conducive to trade and extensive use of IT.

The GVCs have certainly moved the countries closer to the sustainable development goals (SDGs). However, there are challenges and the success is not unqualified. Political instability, uncertain public policies, uncodified fiscal and labour regulations, incomparable bargaining strength of firms in developing countries in forging sustainable networks and firm-to-firm relationships; the rise in spatial disparities with a larger concentration of GVC trade in urban and border regions; and gender imbalance in property or business ownership and management are some of the key concerns. Inequity in international tax systems also impinges upon the desired continued success of the GVC-driven trade.

For revival, the process of globalisation will have to be revisited, new policies and tax codes formulated, research and innovations will require greater efforts, and international financial institutions and trade regulations will need restructuring with the revival of hitherto paralysed world trade negotiations to make the dream of Made in World a reality.

Source: tribuneindia.com– Sep 09, 2020

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As Banarasi saris quality falls, govt finds a Chinese connection; plans to cut silk imports

Amid rising border tensions with the Dragon country, India may have found a new weapon in its arsenal after banning various Chinese apps including popular mobile game PUBG.

The central government is mulling on attacking Chinese silk imports after officials from the textile ministry informed a standing committee on labour that the quality of banarasi silk saris in general was depleting due to cheap imports from China, The Indian Express cited a source as saying.

The officials have now informed a Parliamentary standing committee that the center is now contemplating measures to discourage silk imports from China.

The central government's plans were conveyed during a meeting of the standing committee on labour on Monday. The committee deliberated on the subject of "Challenges and Opportunities — Indian Textile Industry", a source said, the newspaper reported. The ministry is reportedly going to announce the move soon.

While there is no blanket ban on Chinese imports, the center has been discouraging the same for sometime now in the midst of the pandemic as anti-China sentiment has also strengthened.

The government has also pushed for boosting domestic manufacturing and cutting exports even while not explicitly stating that imports from so and so countries need to be curbed. Prime Minister Narendra Modi's call for Make in India, Atmanirbhar Bharat and Vocal for Local have one thing in common; reduce foreign products, make local and focus on exports.

Meanwhile, this is not the first move by the central government to curb imports and discourage products made out of India. In fact, the central government has deployed methods to cut down on imports such as directing e-commerce companies to display 'Country of Origin' tag prominently for products that are listed on their platforms to push domestic companies.

Further, other countries have also raised their concerns regarding purchase of textile from China. For instance, the US is likely to also announce a ban on cotton imports from Xinjiang region of China.

Source: financialexpress.com– Sep 08, 2020

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Surat's textile industry faces labour shortage, urges resumption of train services to bring in workers

Businessmen have claimed that the textile industry in Surat is facing a shortage of workers as they have not returned in the absence of transport services. Hence, they are trying to bring them back from Odisha by requesting Chief Minister Naveen Patnaik to further urge the Centre to run special trains for workers.

"We have requested Odisha Chief Minister Naveen Patnaik to further urge the Central government to run special trains from Odisha to bring back workers to Surat so that we can resume our operations," said Ashish Gujarati, President of Pandesara Weavers Cooperative Society Ltd in Surat, Gujarat.

"We want workers to safely return and resume work. A bus takes 72 hours to reach Surat while the train takes 42 hours. If they return, it will be very helpful for us," he added.

A couple of days back, a bus with labourers, met with an accident while returning from Odisha following which eight workers lost their lives. Hence, businessmen here are trying to get in touch with the Central government for the trains from Odisha to Surat.

Mayur Golwala, Secretary, Sachin Gujarat Industrial Development Corporation (GIDC), said, "Around six lakh people work in the industry here. Out of these around 50 per cent workers are from Odisha."

"If the train service from Odisha starts, labourers in large numbers will be able to come back. Our State government should also urge the Centre to resume train services. The industry which is running on 20 per cent to 30 per cent operations will reach 60 per cent to 70 per cent of if they return and boost the work of the industry," he added.

Source: in.news.yahoo.com– Sep 08, 2020

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Cargo volumes at major ports decline 16.56 per cent in April-August

Container volumes down 25.01 per cent during the period to 3.256 million TEUs

Cargo volumes handled at India’s dozen state-owned major ports fell 16.56 per cent during April-August to 245.047 million tonnes (mt) from 293.670 mt a year ago as demand contraction continue to roil global trade.

Container volumes shrank 25.01 per cent during April-August to 3.256 million twenty-foot equivalent units (TEUs) from 4.342 million TEUs, according to the Shipping Ministry.

Jawaharlal Nehru Port Trust (JNPT), India’s biggest state-owned container port, handled 1.545 million TEUs during the first five months of FY21 from 2.172 million TEUs.

Thermal and steam coal and coking coal and others declined 25.42 per cent to 28.934 mt and 31.87 per cent to 16.848 mt, respectively.
Iron ore, including pellets, continue to show exceptional growth since April with volume increase of 26.88 per cent to 27.291 mt from 21.510 mt.

Petroleum, oil and lubricants (crude, petroleum products, LPG, LNG) cargo declined 18.58 per cent during April-August to 79.418 mt from 97.544 mt.

With the exception of Mormugao Port Trust, the remaining 11 major ports reported volume declines in the April-August period compared to the same period last year.

Deendayal Port Trust regained the top slot among major ports held by Paradip Port Trust till July by handling 43.665 mt while Paradip slipped to the second spot with 42.751 mt during April-August.

Source: thehindubusinessline.com– Sep 08, 2020

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